

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

ARC Venture Holding, Inc., et al.,
Debtors.

Case No. 08-46367
Chapter 7
(Jointly Administered)

Brian F. Leonard, Trustee,
Plaintiff,

v.

Adv. P. No. 10-4493

City of Phoenix, Arizona,
Defendant.

ANSWER

The Defendant, **City of Phoenix, Arizona** (“City of Phoenix”), by and through its undersigned counsel, responds to plaintiff’s Complaint as follows:

1. Deny for lack of knowledge sufficient to form a belief as to the truth of the matter asserted.
2. Deny for lack of knowledge sufficient to form a belief as to the truth of the matter asserted.
3. Deny for lack of knowledge sufficient to form a belief as to the truth of the matter asserted.
4. Deny for lack of knowledge sufficient to form a belief as to the truth of the matter asserted.
5. Deny for lack of knowledge sufficient to form a belief as to the truth of the matter asserted.

6. Admitted that the City of Phoenix is located in the state of Arizona. The remaining allegations contained in Paragraph 6 are hereby denied.

7. The allegations contained in Paragraph 7 state legal conclusions to which no answer is required. To the extent the allegations contained in Paragraph 7 are deemed to contain averments of fact, the same are hereby denied.

8. Denied.

9. Admitted.

10. Denied.

11. Admitted.

12. Admitted.

13. Denied.

14. Denied.

15. Denied.

16. Denied.

17. Denied.

18. Denied.

AFFIRMATIVE DEFENSES

First Affirmative Defense

After the transfers alleged in the Complaint, City of Phoenix gave new value to the Debtors that was not secured by an otherwise unavoidable security interest; and on account of which new value the Debtors did not make otherwise unavoidable transfers to or for the benefit of City of Phoenix. 11 U.S.C. §547(c)(4).

Second Affirmative Defense

Any payments made to City of Phoenix were on account of debts incurred by the Debtors in the ordinary course of business or financial affairs of the Debtors and City of Phoenix; made in the ordinary course of business or financial affairs of the Debtors and City of Phoenix; or were made according to ordinary business terms. 11 U.S.C. §547(c)(2).

Third Affirmative Defense

Any payments made to City of Phoenix were intended by the Debtors and City of Phoenix to be contemporaneous exchanges for new value given to the Debtors; and were in fact substantially contemporaneous exchanges. 11 U.S.C. §547(c)(1).

Dated: March 4, 2011

s/ Stephan J. Nickels
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Attorneys for City of Phoenix

CERTIFICATE OF SERVICE

I hereby certify that on the 4th day of March 2011, I electronically filed the foregoing with the Clerk of Court using the Court's ECF system, which will send automatic notification of such filing to counsel of record.

s/ Stephan J. Nickels